

Cinergy Communications FCC Ex Parte Visit Triennial Review Remand

November 23, 2004

Company Fact Sheet

- Projected FY 2005 Revenues: \$80 Million+
- Profitable for seven consecutive years
- Positive Net Equity of \$30 Million+
- Senior Credit Facility for \$45 Million
- 8 Sales Offices serving IN, KY, TN, OH, IL
- 500+ Associates (doubled since end of 2002)

Company Fact Sheet

- 67,000+ local access lines
- 70,000+ long distance access lines
- 19,000+ Internet dial-up accounts
- 108 Collocation/POPs (approximately 25% fitted for facilities-based local service)
- Two Class 4/5 Switches and One Class 4 Switch
- 5,000 fiber route miles
- \$26 million in capital investments over the past 2 years

Innovative Company

- First interconnect company in region (Paducah, KY) – 1969.
- First local company in our region to offer consumers a lower-cost alternative for long distance service --1982.
- First Internet Service Provider (ISP) in our region -- 1994.
- One of the first phone companies doing business following deregulation of local telephone service under the "Telecommunications Act of 1996."
- Started Delivering VOIP to business customers (member of Pulver 100) -- 2003.
- Rolled out Desktop Management services -- 2003

Historical Local Services Strategy

- Build Concentrations Using UNE-P
- Offer as many advanced (typically data) services as practical and possible
- Migrate to Facilities
 - First Focus: Commercial DS1
 - Gain facilities experience
 - Build Operational Support Systems
 - Service Start Date: January 2002
 - Second Focus: Resi and Commercial UNE-L
 - Work through Hot-Cut Issues
 - Ensure business case viability
 - Testing Start Date: November 2004

DS1 Factors

- Success based on UNE DS1 availability
 - Minimum Services Requirement (MSR): Minimum monthly revenue to justify serving a customer
 - Cost Factors
 - DS1 NRC and MRC (varies by zone)
 - Cello equipment and backhaul transport
 - Sales costs and Installation labor costs
 - Customer Premise Equipment
 - Sample MSRs
 - Indiana – Evansville, Indianapolis, Bloomington: \$310
 - Kentucky – Louisville, Owensboro, Paducah: \$395
 - Kentucky – Bowling Green, Madisonville, Henderson: \$430
 - Kentucky – Princeton, Eddyville: \$1,125

DS1 Factors

- **Competitive Analysis**
 - Indiana (SBC Region)
 - 1-10 lines – Approximately \$32 each
 - 11+ lines – Approximately \$22 each (Driven by Centrex)
 - Small Business DSL - \$80
 - Sample Customer
 - 5 lines plus DSL - \$240
 - 11 lines plus DSL - \$322
 - MSR: \$310 – only viable for 8 lines and above
 - *No business case to serve customers using Special Access. MSRs approximately \$500.*
 - Kentucky (BellSouth Region)
 - Louisville local lines – Approximately \$25 each
 - Owensboro local lines – Approximately \$30 Each
 - Small Business DSL - \$50
 - Sample Customer
 - 5 lines plus DSL - \$175 (Lvl); \$200 (BG)
 - 11 lines plus DSL - \$325 (Lvl); \$380 (BG)
 - MSR: \$395 (Lvl); \$430 (BG) – only viable in Louisville for 14+ lines; only viable in Bowling Green for 13+ lines.
 - *No business case to serve customers using Special Access. MSRs nearly \$600.*

UNE-L Factors

- Concentrations in Serving Wire Center Critical
 - Kentucky
 - Bowling Green – 2,384
 - Owensboro – 2,180
 - Hopkinsville – 1,044
 - Louisville (AP) – 425
 - Indiana
 - Jeffersonville – 1,199
 - New Albany – 911
 - Vincennes – 543
 - Indianapolis (01) – 370
- Economically Viable Given Current UNE-L Availability
 - Fear 1: Rate increases on loops
 - Fear 2: Loops unavailable (FTTC Broadband Relief)
 - Result: Millions spent and equipment stranded

Requests

- Continued access to UNE-P for embedded base for at least two years – including moves, adds, and changes – in order for Cinergy Communications to transition customers to facilities-based services.
- Continued access to UNE DS1 and DS3 loops; continued access to transport including EELs.
- Clarification stating the FTTC ruling applies only to new construction and that CLECs have continued access to existing copper at UNE rates.
- Burden should be on RBOC to demonstrate no impairment exists without access to its network elements.